Testimony of
the Deputy United States Trade Representative
Ambassador Jeffrey Lang
on
Enhanced Trade with the Caribbean Basin and Sub-Saharan Africa

17 September 1997

Mr. Chairman. I am pleased to be with you here today to discuss the Administration's initiatives to enhance our trade relationships with the Caribbean Basin and Sub-Saharan Africa. It is appropriate that my comments follow those of Ambassador Barshefsky and Secretary Rubin, who spoke of the importance of renewing the traditional trading authority and continuing U.S. leadership in the international trading system. I would like to speak about some of our other priorities where our leadership is crucial.

This year, the President announced two initiatives to enhance trade with the Caribbean Basin and Sub-Saharan Africa. The Africa initiative seeks to support the economic and political reforms that are already resulting in increased economic growth in Africa. The initiative recognizes that increased trade and investment can make a greater contribution to this growth. The Caribbean Basin initiative seeks to ensure that the increased trade and growth resulting from earlier initiatives continues to grow as the region moves toward a more mature trading relationship with the United States and strives to make the changes needed to participate in the Free Trade Area of the Americas.

These two regions hold the promise of opportunities for US firms and workers. The U.S. must take steps to increase trade, development, and investment in these regions of the world. A forward-looking trade policy with the Caribbean and Sub-Saharan Africa is in our national interest: it encourages U.S. business investment and expansion in those regions; it promotes economic growth, which enables both Caribbean and African nations to better deal with issues such as hunger, population growth and civil strife through regional efforts; and it allows the U.S. to continue to foster greater integration of global markets.

I will address each proposal separately.

Caribbean Basin Trade Enhancement

In response to the concerns of the Caribbean Basin countries that their exports to the United States would be placed at a competitive disadvantage vis-a-vis Mexico's exports as a consequence of the NAFTA, there have been several bi-partisan efforts during the past four years to pass legislation that would grant enhanced trade preferences to countries that currently benefit from the 1984 Caribbean Basin Economic Recovery Act (CBERA). Since the 1994 entry into force of the NAFTA, there have been significant changes in the region. The Administration's proposed CBI trade enhancement legislation offers enhanced CBI trade preferences in the context of the important changes that have taken place in the Caribbean Basin since NAFTA implementation.

On June 17, 1997 the Administration transmitted the United States Caribbean Basin Trade Enhancement Act (CBTEA) to the Congress and it was introduced in the Senate by Senators Graham, Moseley-Braun, Mack, DeWine, and McCain. The purpose of the CBTEA proposal is to give Caribbean Basin countries enhanced market access and serve as a bridge toward the Free Trade Area of the Americas. This bill is part of an integrated Administration-wide strategy to advance economic progress and promote regional cooperation throughout the Caribbean. It signals our intention to expand trade with Caribbean countries on terms consistent with the objectives of the Free Trade Area of the Americas (FTAA) and their own obligations in the World Trade Organization (WTO).

The legislation fulfills the President's commitment, made during his recent trip to Costa Rica and Barbados, to forward legislation to the Congress that would provide enhanced trade preferences to countries in the region. The bill would cover all the products that are presently not eligible for preferences under the CBI program, including textiles and apparel. The CBTEA would extend to eligible Caribbean Basin Initiative (CBI) beneficiary countries certain trade preferences essentially equivalent to those Mexico receives under the North American Free Trade Agreement (NAFTA).

The Administration originally had expected the CBTEA proposal to move through the legislative process as free standing bill. However, when CBI enhancement was included in the Ways and Means reconciliation bill, we forwarded a proposal that the Administration supported in preference to the text in the reconciliation bill. Wishing to maximize the possibility of passage of CBI enhancement and to ensure funding for the measure, the Administration worked hard to reach compromise language that would enable CBI trade enhancement to remain in the budget reconciliation package. We were disappointed that a compromise could not be included in the Tax bill, but we stand ready to work with you again on a compromise.

In designing this legislation, the Administration considered the evolving economic and trade situation in the Caribbean Basin region. The increased openness of most Caribbean economies over the past decade, improved macroeconomic stability, and the growth of foreign direct investment have set CBI countries on a path toward improved economic growth. We also considered the perception among CBI countries that the implementation of the NAFTA is reducing their relative opportunities for expanding trade to the United States.

Indicative of the changes underway in the region is the fact that all but one of the CBI beneficiaries belong to the World Trade Organization, and that as members they have undertaken a commitment to adhere to the rules of that organization. In addition to meeting their WTO commitments, these countries will need to make structural reforms in order to take advantage of the benefits to be derived from a hemisphere-wide free trade zone.

The CBTEA will allow countries in the Caribbean Basin to enjoy enhanced trade preferences while encouraging them to meet their WTO commitments and helping them to prepare for participation in the Free Trade Area of the Americas. These new trade preferences would cover all of the products not included in the existing CBI legislation (i.e., textiles/ apparel, petroleum, footwear, certain categories of flat goods and gloves, leather apparel, canned tuna and a category of watches). Trade preferences for CBI beneficiaries would be phased in, with 50 percent of the benefits available immediately upon implementation of the legislation.

Textile/Apparel Provisions

Of course, the heart of any CBI trade enhancement bill is textiles and apparel. The bill would -- when fully implemented over the phase-in period -- provide beneficiary nations the same duty treatment and quota-free treatment as Mexico receives for all products meeting the NAFTA rules of origin (essentially a "yarn-forward" requirement). Basically, textiles that on a yarn-forward basis were made from CBI inputs would be eligible for the same tariff treatment as Mexican products. In addition, products assembled from U.S. cut and formed fabrics made from U.S. yarn, as well as handicrafts, also could enter duty-free.

The bill also contains specific provisions for apparel products made in the Caribbean Basin from non-U.S./non-CBI fabric. Under our bill, interested U.S. citizens could petition the President to provide such products preferential tariff treatment where the fabrics or yarn from which the articles were made are not commercially available from U.S. producers. The tariff preference level (TPL), if granted under the petition process, would be limited in quantity to 10 percent of a country's previous year's shipment of "Section 807" apparel assembled in the Caribbean using U.S. parts made from extra-regional (non-U.S./non-CBI) fabric. This petition process differs from NAFTA, in which we negotiated TPLs up-front with Mexico. We suggest this different approach in the Trade Enhancement Act because this is not the result of a negotiated agreement, but is a preference.

The bill would also contain safeguard provisions on both originating and non-originating products. Imports of non-originating products could be limited under the same conditions, both criteria and remedies, as in the NAFTA; also as under the NAFTA, imports of originating products could be subject to a tariff snap-back safeguard. The draft bill also expands the quota safeguard provision so that all textile and apparel products receiving benefits under the bill can be subject to quota safeguards. While NAFTA applies quota safeguards only to non-originating products, safeguards in this bill are more comprehensive, again because the bill is not a negotiated agreement.

If the President finds that goods from third countries are being transshipped through CBI countries and are receiving duty preferences that they should not, the USTR may reduce the amount of any quota -- including eliminating a country's access to the U.S. market for this product -- with the CBI countries involved in transshipment.

The common goal of the Administration and many in the textile and apparel industry groups has been to expand CBI trade preferences to the textile and apparel sector, which has until now largely been excluded from duty preferences. This bill responds to the concerns of the CBI countries that feel that they may be disadvantaged by Mexico having NAFTA benefits for apparel shipments to the U.S., and also to respond to the concerns of U.S. industry that their own investments and partnership production operations in the Caribbean have continued viability and success.

The key to the success of the existing CBI program is that the trade provides benefits to both the U.S. and to the Caribbean countries. The majority of our apparel imports from the Caribbean countries contains substantial U.S. content. The International Trade Commission estimates that over 80 percent of our apparel imports from the Caribbean are under these "production sharing" arrangements. This means that our producers and our workers make the fabric and the other inputs (linings, sewing thread, notions) that go into the CBI's apparel, our companies employ people in cutting and distribution in the U.S., and so on. However, the bill allows us to address situations of serious damage or threat from these imports if necessary.

The real benefit to the program is that we have seen apparel production come back to our hemisphere from Asian sources, including China. Last year, imports of apparel from the CBI grew 12 percent while imports from China were flat and imports from Hong Kong, Korea and Taiwan declined 8 percent.

Over the 10 year life of the quota preference program for the CBI, imports of apparel from the CBI have grown at an average annual rate of 20 percent, while imports from China grew by 4 percent on average and imports from Hong Kong, Korea and Taiwan declined by 3 percent. The CBI countries taken together are our largest foreign supplier of apparel products.

We fully expect the textile provisions of our proposed legislation to further expand such trade in a manner that will benefit the United States as well as the CBI beneficiary countries.

Given the potential benefits for these countries, the changing economic and trade environment in the region and the need for such a bill to include strong incentives for sound trade policy measures in the Caribbean, we have designed a program that would, through a phase-in process, give countries the incentive to continue to make progress on trade policy. We have also given a great deal of thought to ensuring increased market access for U.S. businesses as we grant increased preferences to CBI countries. This bill does not create a one-way street of open-ended trade preferences with no benefit to U.S. interests. Nor does it place unreasonable or unfair burdens on the countries of the Caribbean. It is a balanced trade package that promotes economic development in this region that is so important to the United States.

Initial Designation

To achieve our goals, prior to initial designation as a beneficiary, a country would have to demonstrate a commitment to undertake its WTO obligations on or ahead of schedule and to actively participate in FTAA negotiations. We would expect all countries in the region to meet these initial criteria and be eligible for a 50 percent tariff reduction (between the MFN tariff and Mexico's prevailing rate under the NAFTA). Countries could receive up to 100 percent of the tariff reduction -- i.e., parity with Mexico's tariff rate under the NAFTA -- depending upon a three-year review of the country's compliance with the eligibility criteria.

These criteria were carefully constructed to ensure they were consistent with U.S. trade policy, that they encourage fair treatment of U.S. exports and investment, and that they would expand economic development to encourage citizens in beneficiary countries to direct their energies toward opportunities available in a growing formal economy. We are certain that increased economic growth among CBI countries will provide growing markets for U.S. products and enhance the ability of our neighbors to ensure justice and security within their own borders

To that end the CBTEA would require that, before granting additional benefits, the President consider the extent to which countries have met the following conditions.

International Trade Rules. The extent to which a country follows accepted rules of international trade will be considered in determining a country's eligibility for increased benefits. We would like to encourage all beneficiary countries to meet their WTO commitments on or ahead of schedule. We think it important to establish a "floor" of compliance with WTO rules, which will enable us to move toward the Free Trade Area of the Americas from within a WTO consistent framework.

Intellectual Property Rights. With respect to intellectual property rights, a CBI nation's compliance with the WTO Agreement on Trade-Related Aspects of Intellectual Property Rights and with the provisions of Chapter 17 (Intellectual Property) of the NAFTA would be eligibility criteria for the full benefits. The bill also includes provisions regarding the parallel importation of "gray market" goods and border enforcement against infringing imports. These provisions would benefit creative and inventive activity in the region as well as U.S. holders of intellectual property rights.

Investment. With regard to investment, the bill includes an eligibility criterion based on a CBI nation's compliance with the substantive provisions of NAFTA Chapter 11 (Investment). These conditions would ensure non-discriminatory treatment of U.S. investments and international standards of treatment, including third party arbitration for investor-state disputes. Such policies, of course, would increase the attractiveness of CBI countries to the foreign direct investment that is essential to increasing productivity and promoting the economic diversification of these countries.

Market Access. The bill offers the opportunity for expanded market access for U.S. goods because beneficiary countries would be expected to provide equitable and reasonable market access in product areas for which the CBI countries are receiving new benefits.

Worker Rights. Provision of internationally recognized worker rights is a CBTEA eligibility criterion. That is, a country's new -- as well as current -- benefits would depend upon the provision of internationally-recognized worker rights, including the right of association, the right to organize and bargain collectively, a prohibition on the use of any form of coerced or compulsory labor, a minimum age for the employment of children, and acceptable conditions of work with respect to minimum wages, hours of work, and occupational health and safety. We do not think it is appropriate to reward countries that are indifferent to the working conditions of their labor force. This provision is drawn from the GSP program.

Environment. To ensure that beneficiaries of the CBTEA pursue their new trade opportunities in an environmentally responsible way, each interested country will be reviewed on the extent to which it has adopted laws and regulations to protect the environment (including natural resource protection laws), as well as the extent to which it is effectively enforcing those laws and regulations. This provision is modeled on language in the NAFTA.

Narcotics Cooperation. We want to use every available tool to try to stamp out the scourge of narcotics production and trafficking. Therefore, the President will assess whether the beneficiary country has met the narcotics cooperation certification criteria set forth in section 490 of the Foreign Assistance Act of 1961 for eligibility for United States assistance.

Corrupt Business Practices. Corrupt business practices can be a more impenetrable barrier to trade than any tariff. This legislation will encourage CBI nations to ratify the newly-concluded Inter-American Convention Against Corruption. The President will take into account whether, having ratified this agreement, countries are taking necessary measures to implement the agreement.

Exchange of Tax Information. This bill will encourage countries in the region to join Barbados, Bermuda, Costa Rica, Dominica, the Dominican Republic, Grenada, Guyana, Honduras, Jamaica, Saint Lucia, and Trinidad and Tobago in entering an agreement with the United States for the exchange of tax information.

Government Procurement. Eligibility criteria for full benefits include a CBI country's support for the multilateral and regional objectives of the United States with respect to government procurement, including the negotiation of government procurement provisions of an FTAA and the work program in the WTO as agreed at the Singapore Ministerial Conference; and the extent to which the country applies transparent and competitive procedures in government procurement equivalent to those in the WTO Agreement on Government Procurement.

Customs Valuation. The bill includes an eligibility criterion based on the provisions of the WTO Agreement on Implementation of Article VII of the GATT 94, which addresses rules for customs valuation. U.S. exports are put at a disadvantage in the market when arbitrary customs valuations result in higher tariffs, making our exports less competitive in the market. Adherence to the WTO Agreement is of great importance to our exporters, and all WTO members in the CBI region are required to implement those obligations by the year 2000.

Comparable Access. Also, the President would take into account the extent to which those CBI nations that have entered an FTA with any other countries (other than the CARICOM and the Central American Common Market) are prepared to grant the United States comparable access for commercially important products. This provision is intended to give the United States additional leverage to insist that a beneficiary country not discriminate in favor of our NAFTA partners even as we grant that country NAFTA-equivalent market access.

Duration

This new trade enhancement program would not be open-ended. Since it is designed as a bridge to the FTAA, it would terminate in 2005. At that time FTAA negotiations will have been completed and all beneficiary countries should begin to reap the benefits of the Free Trade Area of the Americas.

Phase-In of Benefits

In order to determine the extent to which countries have met the criteria for increased benefits at the end of three-years, the President would review the operation of the CBTEA program, including each country's compliance with the eligibility criteria -- the criteria currently existing in the CBI statute, as well as the new criteria. We would, of course, request public comment and undertake extensive consultations with the Congress on the operation of the program at the time of the review.

Maturing Relationship

In conclusion, this bill reflects the maturing relationship between the United States and the countries in the Caribbean Basin. Trade between the region and the United States has grown impressively since the beginning of the Caribbean Basin Economic Recovery Act in 1984. All but one CBI beneficiary belong to the World Trade Organization and all those that belong have agreed to implement all of the obligations needed for membership. All of the countries in the region are involved in the FTAA process. For those reasons, the Administration has constructed a proposal that asks beneficiary countries to continue on their trajectory toward more open markets and trade policies consistent with their WTO commitments and their participation in the FTAA.

We look forward to working with the Congress on legislation to implement this approach. Now I would like to turn to the President's strategy for economic growth and opportunity in Africa.

Africa: Growth and Opportunity

We welcome this occasion to discuss opportunities to expand U.S. trade and investment with

Africa and the Administration's program for seizing these opportunities. I want to commend the Congress for its leadership in focusing on the need to develop a new trade approach to Africa. The Clinton Administration enthusiastically endorses the basic approach of the African Growth and Opportunity Act (S. 778). We look forward to continuing our work with the Congress to develop, refine, and enact legislation that will help build a new trade relationship between the United States and African countries.

We believe that this is an opportune time for us jointly to address the issue of our economic and trade relations with Africa. Over the last year and a half, both the Administration and the U.S. International Trade Commission have submitted two reports on this question. Our most recent report sought to lay a foundation for our future work in this area. The Administration has also worked to develop new policies in this area, after consultation with African officials. The President is very interested in this subject and has directed us to determine what steps we can take to establish more substantial trade relations with Africa.

We recognize the achievements of many countries in Sub-Saharan Africa in pursuing economic and political reforms and wish to offer special support to those countries committed to pursuing accelerated reforms. Today, I want to discuss the Clinton Administration's new economic approach to Africa. We have worked intensely within the Administration to develop a program that we hope will help African countries lock in and accelerate the increase in growth that they are starting to achieve. I would like to acknowledge the contributions of a number of agencies, including the Treasury, State, Commerce, Labor and Agriculture Departments, USAID, OPIC, Export-Import Bank and the Trade and Development Agency. We have worked on this project as a team under the coordination of the National Security Council and the National Economic Council to produce this comprehensive program. I will focus on the trade and investment policy aspects of the program because that is my area of expertise and trade and investment is, I understand, the subject of this hearing.

Economic Reform in Sub-Saharan Africa

The Administration's program is entitled "Partnership for Promoting Economic Growth and Opportunity in Africa." This partnership begins with the simple but powerful idea that American interests are best served if we view African countries as partners in trade and investment.

We begin with the idea that building strong trade partnerships with Africa's rapidly growing and reforming economies is in our interest. It is also the key to generating growth and opportunity in the rest of the continent. The 48 countries in Sub-Saharan Africa are quite diverse. Some countries in the region are already showing that the continent can be a region of dynamic economic growth, and that there is no reason why they cannot achieve Asian levels of growth if they make the right policy choices. Only if we build on Africa's progress can we change the minds of those in the private and public sectors who doubt the continent's potential.

Our plan highlights Africa's success stories. In the last few years, more than 30 countries have instituted economic reform programs. They have adopted the most critical reforms -- liberalizing exchange rates and prices, privatizing state-owned enterprises, instituting tighter disciplines over government expenditures, ending costly subsidies, and reducing barriers to trade and investment. Many countries have also undertaken political reforms.

Reform efforts have helped boost economic growth in Africa from 1.4 percent in the 1991-94 period to 4 percent in 1995 and 4.6 percent in 1996. The United States seeks to encourage these reforms and the growth that stems from them. The benefits for the United States are clear. In an increasingly competitive global economy, the United States cannot afford to neglect a largely untapped market of some 600-million-plus people, and the world cannot afford to see a vast region marginalized. The lowering of tariffs and other trade barriers will help African nations to grow. They will also help Americans by opening these markets to our goods and services. Increased growth will also contribute to social and political stability on the continent and to an enhanced capacity to address the problems with which we are all too familiar.

Trade and Investment

We must continue to address obstacles to trade and investment. In the last 40 years, Africa's share of global trade has fallen from 3.1 percent to 1.2 percent. A recent World Bank study has concluded that the most significant part of Africa's marginalization in world trade can be attributed to African trade barriers that are far more restrictive than those in high-growth developing countries and incorporate a substantial anti-export bias. For example, import tariffs in sub-Saharan Africa average 26.8 percent, whereas they only average 8.7 in the fastest-growing exporters in the developing world. African countries also impose some form of nontariff barrier restrictions on over one-third of all of their imports, a ratio that is almost nine times higher than the corresponding average for fast-growing exporters. Such trade protectionism erodes the competitive position of Africa's exports and, according to this study, costs the region an average of $11 billion per year in annual trade losses -- about the same as total aid to Africa from all sources in 1991.

The core premise of our plan is that those nations willing and able to pursue the most aggressive growth-oriented economic policies -- principally by opening their economies to the world marketplace -- are the ones most likely to be the engines of growth on the continent. The plan provides incentives for all African countries to join this advance group of African reformers.

Many African countries have been able to make substantial achievements in restarting economic growth by taking bold steps to open, liberalize, and privatize their economies. The most dramatic progress has come when countries have focused on three areas: trade and investment liberalization, investing in human resources, and improving policy management. Our program seeks to emphasize support for countries that are making strong efforts in these areas.

In the area of trade and investment, we attach particular importance to the extent to which countries have made substantial progress toward reducing tariff levels, binding their tariffs in the

WTO and assuming meaningful binding obligations in areas of trade such as services, and in eliminating nontariff barriers to trade. We also think it is very important that any country in Sub-Saharan Africa that is not already a member of the WTO should be actively pursuing membership in the WTO and be prepared to take on meaningful obligations. We are pleased that several African countries made commitments in the recently concluded WTO telecom services negotiations. We hope that these countries will also make commitments in the WTO financial services negotiations which are now underway in Geneva.

We also believe economic growth may be enhanced by other factors in the trade and investment area such as the provision of national treatment for foreign investment, a readiness to begin negotiations with the United States on a Bilateral Investment Treaty, privatization of sectors of the economy that are most likely to attract foreign investment, compliance with programs with and obligations to the International Monetary Fund (IMF) and other international financial institutions and the introduction of current account convertibility.

The Administration's Initiative

Mr. Chairman, I would like to discuss briefly the specific elements of the Administration's program for Partnership for Economic Growth and Opportunity in Africa. Through this Partnership the United States would seek to work in particular with those countries making strong efforts at growth-oriented policies in areas such as those I have just discussed.

We recognize that not all African countries are ready or able to take the steps necessary to spur high levels of economic growth. Therefore, we propose to work with the relevant international institutions to make available the following opportunities to Sub-Saharan African countries, according to their desired level of participation. Under the overall partnership countries can participate at one of three different levels.

Level One Benefits

To support efforts to achieve sustainable economic growth throughout Sub-Saharan Africa, at the first level of participation the Administration will make broadly available the following opportunities and assistance. Level One will include notably:

Enhanced market access. African nations will continue to receive preferential market access under the existing Generalized System of Preference (GSP) program, which now provides less-developed countries duty-free access for products in some 4,000 tariff lines and will provide least-developed countries enhanced access on products in up to an additional 1800 tariff lines.

Investment support. The Overseas Private Investment Corporation (OPIC) is working with the private sector sponsors of a proposed $150 million fund for equity investment in a variety of economic sectors. Two-thirds of the fund would consist of OPIC guaranteed debt. OPIC is also working to develop one or more separate funds that would focus on economic infrastructure projects. These potential funds would have aggregate capital of up to $500 million. We have also secured agreement that the African Development Fund will develop a capacity for financing infrastructure projects, in particular those that will improve linkages among markets, both within countries and regionally. We are pleased that HR 1432 calls for such funds.

Support for regional economic integration. Under the U.S. Agency for International Development's (USAID) Initiative for Southern Africa, support will be provided for private and public sector cooperative activities in areas of regional concern, including investment policy harmonization, regional business ties, financial sector development, privatization and facilitating cooperation between private sector and regional governments, labor statistics, and occupational health and safety.

Support for U.S.-African business relations. USAID will provide support to help catalyze U.S.-African business ties.

Export-Import Bank. The Export-Import Bank of the United States will encourage use of its programs through designation of a senior advisor on Africa to its board and a campaign for outreach, particularly with the private sector. In fact, Ex-Im Bank has already hired an Advisor for this purpose.

Assistant U.S. Trade Representative for Africa. To ensure that trade issues with Africa receive proper attention, Ambassador Barshefsky is creating an Assistant U.S. Trade Representative for Africa.

In addition, the Administration will work with the IMF, World Bank Group and the African Development Bank Group on the development and implementation of several initiatives to support private sector investment, trade development and capacity building.

Level Two Benefits

To support those countries pursuing aggressive growth-oriented policies, the Administration would offer, at the discretion of the President, the following additional opportunities, which we have characterized as Level Two participation:

Additional market access through expansion of the GSP program. We are very pleased that the "Africa Growth and Opportunity Act" would provide authority for the President, after receiving advice from the U.S. International Trade Commission, to include in the GSP program for these countries a number of products that are presently excluded. This is the one major area of our proposed program for which we need legislative authorization before moving forward. While we question the appropriateness of making eligible for GSP certain products mentioned in the bill, we wholeheartedly welcome this approach and want to work with the Committee on it.

Textiles. The Administration recognizes the importance of the textile and apparel industry to developing countries. While we cannot support the textile proposals in S.778, we are ready to work with Congress to develop a program that will be consistent with our overall commitments under the WTO, while at the same time taking into account the interests of U.S. industry and Africa.

Debt reduction. To help ensure that the growth-oriented countries now burdened by excessive debt are in a position to invest in human resources, the Administration would support an approach that leads to the extinction of concessional bilateral debt for the heavily indebted poor countries (HIPC), and we would urge the World Bank and IMF boards to provide deep relief under the HIPC debt initiative,

Creation of an U.S.-Africa Economic Forum. The Administration will establish a Cabinet- and Minister-level forum to meet once per year in order to raise the level and caliber of the dialogue between the United States and Africa's strongest reformers,

Bilateral technical assistance to promote reforms. USAID will finance short-term technical assistance to African governments to liberalize trade and promote exports, comply with WTO obligations and assume additional ones, and make financial and fiscal reforms. The U.S. Department of Agriculture will provide technical assistance to promote agri-business linkages.

Support for agricultural market liberalization. As part of the new multi-year Africa Food Security Initiative, USAID will help address such critical agricultural policy issues as market liberalization, agricultural export development, and agribusiness investment in processing and transport of agricultural commodities.

Trade Promotion. The Trade Development Agency (TDA) will increase the number of reverse missions to growth-oriented countries.

Programming commodity assistance. To help countries experiencing budget shortfalls in the course of their growth-through reform programs, and to encourage more effective spending on human resource development and agricultural policy reform, the Administration will take steps to focus PL-480 Title I assistance more on growth-oriented countries in Africa and will explore the possibilities to increase funding for Title III assistance from within PL-480.

Support for economic policy reform. In FY-98 USAID will provide support for growth-oriented programs with both technical assistance and program support funds.

Financing and debt relief: The Administration has looked carefully at the need for well-targeted, appropriate financial assistance and debt relief. The need for financing --both budget and balance-of-payments support -- debt relief would be acute for countries pursuing aggressive trade liberalization and trying to maintain, or even increase, useful investments in health, education and infrastructure development. We want to ensure that liberalizing countries have enough breathing space to carry though with a comprehensive program of trade liberalization and tax reforms. Accordingly, we proposed the debt relief initiative cited above and we also intend to seek enhanced financial support through the International Financial Institutions. Their specific contributions would include, for example:

- Enhanced financing under the Enhanced Structural Adjustment Financing (ESAF) and the International Development Agency (IDA) policy-based loans to support countries where bold structural reforms, such as trade sector liberalization, result in greater financing requirements;

- Financing for improvements to infrastructure related to trade and business development, such as improvements to ports, railways, roads, and storage facilities.

Level Three Benefits

Finally, the Administration's program will hopefully lay the groundwork for a third level of economic involvement: the creation of free trade areas. We share the view expressed in S. 778 that negotiations on removal of trade barriers and on eventual free trade agreements can be a catalyst for increased trade. We think that it is important that we send a signal to our private sector that we are serious when we say that Africa has the potential to become a more significant U.S. trading partner. Therefore, we believe we should affirm that we are open to pursuing free trade agreement negotiations with our trading partners in Africa, who are ready to take on those obligations, just as we have affirmed with our partners in South and Central America and in Asia. The proposal in the "Growth and Opportunity Act" that we report on plans for such agreements with African countries would provide such an opportunity.

We invite all Sub-Saharan countries to pursue a course toward freer trade and open markets by participating in this comprehensive program. This graduated approach takes into account their diversity, commitment, and potential.

Further Integrating Africa into the Global Trading System

To magnify the economic impact of our proposal, the Administration obtained agreement from our partners at the summit of industrialized nations in Denver in June to take bilateral and multilateral actions that work toward the same ends as those described above. Collaboration among Summit partners on matters affecting Africa has already yielded major results, with the unveiling last year of a program of multilateral debt reduction for Heavily Indebted Poor Countries --the HIPC Initiative --which will benefit a number of poor African countries that are pursuing strong reform policies but are burdened with particularly heavy debt loads.

As I noted earlier, Mr. Chairman, we believe the legislation before your Committee and the program I have just described are quite complementary. We hope that we can work together to develop legislation and a program that allows our trade relations with Africa to enhance broad economic reform and accelerated growth on the continent.

Mr. Chairman, on enhanced trade with the Caribbean and with Africa, we look forward to working with you and the other Members of the Committee. Please accept my thanks for this opportunity to speak with you.